

# Senate Study Bill 1183 - Introduced

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CHAIRPERSON FEENSTRA)

## A BILL FOR

1 An Act relating to fantasy sports contests, providing  
2 for a tax, making penalties applicable, and including  
3 implementation provisions.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1     Section 1.   NEW SECTION.   **99E.1 Definitions.**

2     As used in this chapter, unless the context otherwise  
3 requires:

4     1.   *"Applicant"* means an internet fantasy sports contest  
5 service provider applying for a license to conduct internet  
6 fantasy sports contests under this chapter.

7     2.   *"Commission"* means the state racing and gaming commission  
8 created under section 99D.5.

9     3.   *"Fantasy sports contest"* includes any fantasy or  
10 simulated game or contest in which the fantasy sports contest  
11 operator is not a participant in the game or contest, the value  
12 of all prizes and awards offered to winning participants are  
13 established and made known to the participants in advance  
14 of the contest, all winning outcomes reflect the relative  
15 knowledge and skill of the participants and shall be determined  
16 by accumulated statistical results of the performance of  
17 individuals, including athletes in the case of sporting events,  
18 and no winning outcome is based on the score, point spread, or  
19 any performance or performances of any single actual team or  
20 solely on any single performance of an individual athlete or  
21 player in any single actual event.

22     4.   *"Internet fantasy sports contest"* means a method of  
23 entering a fantasy sports contest by which a person may  
24 establish an account with an internet fantasy sports contest  
25 service provider, deposit money into the account, and use  
26 the account balance for entering a fantasy sports contest by  
27 utilizing electronic communication.

28     5.   *"Internet fantasy sports contest adjusted revenues"* means,  
29 for each internet fantasy sports contest, the amount equal to  
30 the total charges and fees collected from all participants  
31 entering the internet fantasy sports contest less winnings paid  
32 to participants in the contest, multiplied by the location  
33 percentage.

34     6.   *"Internet fantasy sports contest player"* means a person  
35 who is at least twenty-one years of age and participates in an

1 internet fantasy sports contest operated by an internet fantasy  
2 sports contest service provider.

3 7. "*Internet fantasy sports contest service provider*" means  
4 a person, including a licensee under chapter 99D or 99F, who  
5 conducts an internet fantasy sports contest as authorized by  
6 this chapter.

7 8. "*Location percentage*" means, for each internet fantasy  
8 sports contest, the percentage, rounded to the nearest tenth of  
9 a percent, equal to the total charges and fees collected from  
10 all internet fantasy sports contest players located in this  
11 state divided by the total charges and fees collected from all  
12 participants in the internet fantasy sports contest.

13 Sec. 2. NEW SECTION. 99E.2 Internet fantasy sports contests  
14 authorized.

15 The system of entering an internet fantasy sports contest as  
16 provided by this chapter is legal when conducted by a licensed  
17 internet fantasy sports contest service provider as provided in  
18 this chapter.

19 Sec. 3. NEW SECTION. 99E.3 Commission — powers.

20 1. The commission shall have full jurisdiction over and  
21 shall supervise internet fantasy sports contests and internet  
22 fantasy sports contest service providers as governed by this  
23 chapter.

24 2. The commission shall have the following powers and shall  
25 adopt rules pursuant to chapter 17A to administer and implement  
26 this chapter:

27 a. To review and investigate applicants and determine the  
28 eligibility of applicants for a license to conduct internet  
29 fantasy sports contests, pursuant to rules adopted by the  
30 commission.

31 b. To license and regulate internet fantasy sports contest  
32 service providers subject to the requirements of this chapter.

33 c. To provide for the prevention of practices detrimental to  
34 the public and to provide for the best interests of internet  
35 fantasy sports contests.

1     *d.* To investigate alleged violations of this chapter  
2 or the commission rules, orders, or final decisions and to  
3 take appropriate disciplinary action against a licensee, or  
4 institute appropriate legal action for enforcement, or both.  
5 Information gathered during an investigation is confidential  
6 during the pendency of the investigation.

7     *e.* To assess fines and revoke or suspend licenses and to  
8 impose penalties for violations of this chapter.

9     *f.* To require, beginning July 1, 2019, licensees to  
10 establish a process with the state for licensees to have  
11 electronic access to names and social security numbers of  
12 debtors of claimant agencies through a secured interactive  
13 internet site maintained by the state.

14     *g.* To take any other action as may be reasonable or  
15 appropriate to enforce this chapter and the commission rules.

16     Sec. 4. NEW SECTION. **99E.4 Requirements of applicant — fee**  
17 **— penalty.**

18     1. An applicant for a license to conduct internet fantasy  
19 sports contests shall complete and sign an application on  
20 the form prescribed and published by the commission. The  
21 application shall include such information of the applicant  
22 that the commission deems necessary for purposes of issuing a  
23 license pursuant to this chapter.

24     2. An applicant shall submit fingerprints and information  
25 that the commission deems necessary to the commission in the  
26 manner prescribed on the application forms. The fingerprints  
27 may be submitted to the federal bureau of investigation by the  
28 department of public safety through the state criminal history  
29 repository for the purpose of a national criminal history  
30 check.

31     3. The commission shall charge the applicant a fee set  
32 by the department of public safety, division of criminal  
33 investigation, to defray the costs associated with any  
34 investigations conducted pursuant to the requirements of this  
35 section concerning the applicant. This fee is in addition

1 to any other license fee charged by the commission. The fee  
2 may be retained by the department of public safety, division  
3 of criminal investigation, and shall be considered repayment  
4 receipts as defined in section 8.2.

5 4. A license shall not be granted to an applicant if there  
6 is substantial evidence that any of the following apply:

7 a. A license issued to the applicant to conduct internet  
8 fantasy sports contests in another jurisdiction has been  
9 revoked by an entity licensing persons to conduct such contests  
10 in that jurisdiction.

11 b. The applicant has not demonstrated financial  
12 responsibility sufficient to adequately meet the requirements  
13 of the enterprise proposed.

14 c. The applicant does not adequately disclose the true  
15 owners of the enterprise proposed.

16 d. The applicant has knowingly made a false statement of a  
17 material fact to the commission.

18 e. The applicant has failed to meet a monetary obligation in  
19 connection with conducting an internet fantasy sports contest.

20 f. The applicant is not of good repute and moral character  
21 or the applicant has pled guilty to, or has been convicted of,  
22 a felony.

23 g. Any member of the board of directors of the applicant is  
24 not twenty-one years of age or older.

25 5. A person who knowingly makes a false statement on the  
26 application is guilty of an aggravated misdemeanor.

27 6. For the purposes of this section, "*applicant*" includes  
28 each member of the board of directors of an internet fantasy  
29 sports contest service provider.

30 Sec. 5. NEW SECTION. 99E.5 Licenses — fees — terms and  
31 conditions — revocation.

32 1. If the commission is satisfied that the requirements  
33 of this chapter and its rules adopted under this chapter  
34 applicable to licensees have been or will be complied with, the  
35 commission shall issue a license for a period of not more than

1 three years to an applicant to conduct internet fantasy sports  
2 contests in this state.

3 2. A licensed internet fantasy sports contest service  
4 provider shall comply with all of the following requirements:

5 a. Prevent employees of the internet fantasy sports contest  
6 service provider and relatives living in the same household of  
7 such employees from competing in any internet fantasy sports  
8 contest on the service provider's digital platform in which the  
9 service provider offers a cash prize to the public.

10 b. Verify that an internet fantasy sports contest player  
11 located in this state is twenty-one years of age or older.

12 c. Ensure that coaches, officials, players, contestants,  
13 or other individuals who participate in a game or contest  
14 that is the subject of an internet fantasy sports contest are  
15 restricted from entering an internet fantasy sports contest in  
16 which the outcome is determined, in whole or in part, by the  
17 accumulated statistical results of a team of individuals in the  
18 game or contest in which they participate.

19 d. Prohibit internet fantasy sports contests based upon any  
20 extracurricular interscholastic athletic contest or competition  
21 which is sponsored or administered by an organization as  
22 defined in section 280.13, any amateur athletic contest or  
23 competition in which all participants are under the age of  
24 twenty-one, or any intercollegiate sport as defined in section  
25 9A.102.

26 e. Allow individuals to restrict themselves from entering  
27 an internet fantasy sports contest conducted by the internet  
28 fantasy sports contest service provider upon request and take  
29 reasonable steps to prevent those individuals from entering  
30 any internet fantasy sports contests conducted by the internet  
31 fantasy sports contest service provider.

32 f. Disclose the number of entries a single internet fantasy  
33 sports contest player may submit to each internet fantasy  
34 sports contest and take reasonable steps to prevent players  
35 from submitting more than the allowable number of entries for

1 that internet fantasy sports contest.

2     *g.* Segregate internet fantasy sports contest player funds  
3 from operational funds and maintain a reserve in the form  
4 of cash, cash equivalents, an irrevocable letter of credit,  
5 payment processor reserves and receivables, a bond, or a  
6 combination thereof in the amount of the deposits in internet  
7 fantasy sports contest player accounts for the benefit and  
8 protection of internet fantasy sports contest player funds held  
9 in internet fantasy sports contest accounts by the internet  
10 fantasy sports contest service provider.

11     *h.* Annually contract with a third party to perform an  
12 independent audit, consistent with the standards established  
13 by the American institute of certified public accountants,  
14 to ensure compliance with all of the requirements in this  
15 chapter and submit the results of the independent audit to the  
16 commission.

17     *i.* Pay the tax as provided in section 99E.6.

18     3. The annual license fee to conduct internet fantasy sports  
19 contests shall be five hundred dollars. Moneys collected by  
20 the commission from the annual license fee paid under this  
21 subsection shall be considered repayment receipts as defined  
22 in section 8.2.

23     4. Upon a violation of any of the conditions listed in  
24 section 99E.4 or this section by a licensee, the commission  
25 shall immediately revoke the license.

26     Sec. 6. NEW SECTION. 99E.6 Internet fantasy sports contest  
27 tax — rate — allocations.

28     1. A tax of seven and one-half percent is imposed on  
29 internet fantasy sports contest adjusted revenues. The tax  
30 imposed by this section shall be paid by the internet fantasy  
31 sports contest service provider to the commission as provided  
32 by the commission.

33     2. Of the revenues collected pursuant to this section, an  
34 amount equal to one-half of one percent of internet fantasy  
35 sports contest adjusted revenues is transferred to a special

1 revenue account in the general fund of the state to be used,  
2 subject to an appropriation by the general assembly, by the  
3 department of public health for purposes of the gambling  
4 treatment program established pursuant to section 135.150. The  
5 remaining amount of the revenues collected pursuant to this  
6 section shall be deposited in the rebuild Iowa infrastructure  
7 fund created in section 8.57.

8     Sec. 7. NEW SECTION.   **99E.7 Internet fantasy sports contests**  
9 **— age restrictions.**

10     A person under the age of twenty-one years shall not enter an  
11 internet fantasy sports contest. A person who violates this  
12 section with respect to entering an internet fantasy sports  
13 contest commits a scheduled violation under section 805.8C,  
14 subsection 11.

15     Sec. 8. NEW SECTION.   **99E.8 Division of criminal**  
16 **investigation.**

17     The division of criminal investigation of the department of  
18 public safety may investigate to determine licensee compliance  
19 with the requirements of [this chapter](#). Investigations may be  
20 conducted either on the criminal investigation division's own  
21 initiative or at the request of the commission. The criminal  
22 investigation division and the commission shall cooperate to  
23 the maximum extent possible on an investigation.

24     Sec. 9. NEW SECTION.   **99E.9 Setoff.**

25     1. A licensee or a person acting on behalf of a licensee  
26 shall be provided electronic access to the names of the  
27 persons indebted to a claimant agency pursuant to the process  
28 established pursuant to [section 99E.3, subsection 5](#). The  
29 electronic access provided by the claimant agency shall  
30 include access to the names of the debtors, their social  
31 security numbers, and any other information that assists the  
32 licensee in identifying the debtors. If an internet fantasy  
33 sports contest player located in this state makes an account  
34 balance withdrawal equal to one thousand two hundred dollars  
35 or greater, the licensee shall perform an electronic records



1 search of persons indebted to a claimant agency. If the name  
2 of the internet fantasy sports contest player is retrieved by  
3 the licensee pursuant to the records search, the retrieval of  
4 such a name shall constitute a valid lien upon and claim of  
5 lien against the account balance withdrawal of the internet  
6 fantasy sports contest player whose name is electronically  
7 retrieved from the claimant agency. If an internet fantasy  
8 sports contest player's account balance withdrawal is equal  
9 to or greater than one thousand two hundred dollars per  
10 occurrence, the full amount of the debt shall be collectible  
11 from any account balance withdrawal due the internet fantasy  
12 sports contest player without regard to limitations on the  
13 amounts that may be collectible in increments through setoff or  
14 other proceedings.

15 2. The licensee is authorized and directed to withhold  
16 any account balance withdrawal of an internet fantasy sports  
17 contest player which is paid out directly by the licensee  
18 subject to the lien created by [this section](#) and provide notice  
19 of such withholding to the internet fantasy sports contest  
20 player making the account balance withdrawal. The licensee  
21 shall pay the funds over to the collection entity which  
22 administers the setoff program pursuant to [section 8A.504](#).

23 3. Notwithstanding any other provision of law to the  
24 contrary, the licensee may provide to a claimant agency all  
25 information necessary to accomplish and effectuate the intent  
26 of [this section](#), and likewise the claimant agency may provide  
27 all information necessary to accomplish and effectuate the  
28 intent of [this section](#).

29 4. The information obtained by a claimant agency from the  
30 licensee in accordance with [this section](#) shall retain its  
31 confidentiality and shall only be used by a claimant agency in  
32 the pursuit of its debt collection duties and practices. An  
33 employee or prior employee of a claimant agency who unlawfully  
34 discloses any such information for any other purpose, except  
35 as otherwise specifically authorized by law, shall be subject

1 to the penalties specified by law for unauthorized disclosure  
2 of confidential information by an agent or employee of the  
3 claimant agency.

4 5. The information obtained by a licensee from a claimant  
5 agency in accordance with [this section](#) shall retain its  
6 confidentiality and only be used by the licensee in the  
7 pursuit of debt collection duties and practices. An employee  
8 or prior employee of a licensee who unlawfully discloses any  
9 such information for any other purpose, except as otherwise  
10 specifically authorized by law, shall be subject to the  
11 same penalties specified by law for unauthorized disclosure  
12 of confidential information by an agent or employee of the  
13 licensee.

14 6. Except as otherwise provided in [this chapter](#),  
15 attachments, setoffs, or executions authorized and issued  
16 pursuant to law shall be withheld if timely served upon the  
17 licensee.

18 7. A claimant agency or licensee, acting in good faith,  
19 shall not be liable to any person for actions taken pursuant to  
20 this section.

21 Sec. 10. NEW SECTION. 99E.10 Penalties.

22 In addition to any other penalty specified in this chapter,  
23 a person who willfully fails to comply with the requirements  
24 of this chapter and the rules adopted pursuant to chapter 17A  
25 commits a class "D" felony and, in addition, shall be barred  
26 for life from internet fantasy sports contests.

27 Sec. 11. Section 232C.4, subsection 3, Code 2017, is amended  
28 to read as follows:

29 3. An emancipated minor shall remain subject to voting  
30 restrictions under [chapter 48A](#), gambling restrictions under  
31 chapter 99B, [99D](#), [99F](#), [99G](#), or [725](#), internet fantasy sports  
32 contest restrictions under chapter 99E, alcohol restrictions  
33 under [chapter 123](#), compulsory attendance requirements under  
34 chapter 299, and cigarette tobacco restrictions under chapter  
35 453A.

1     Sec. 12. Section 714B.10, subsection 1, Code 2017, is  
2 amended to read as follows:

3       1. Advertising by sponsors registered pursuant to chapter  
4 557B, licensed pursuant to chapter 99B, or regulated pursuant  
5 to chapter 99D, 99E, 99F, or 99G.

6     Sec. 13. Section 805.8C, Code 2017, is amended by adding the  
7 following new subsection:

8     NEW SUBSECTION.   11.   *Internet fantasy sports contest*  
9   *violations.* For violations of legal age for entering an  
10 internet fantasy sports contest under section 99E.7, the  
11 scheduled fine is five hundred dollars. Failure to pay the  
12 fine by a person under the age of eighteen shall not result in  
13 the person being detained in a secure facility.

14       Sec. 14. TRANSITIONAL LICENSE. Notwithstanding any  
15 provisions of Code chapter 99E as enacted by this Act to the  
16 contrary, a person granted a license or registration by two  
17 or more states to conduct internet fantasy sports contests  
18 may apply for and shall be granted a transitional license by  
19 the racing and gaming commission to conduct internet fantasy  
20 sports contests in this state subject to the requirements of  
21 Code chapter 99E, as enacted by this Act. The transitional  
22 license shall be valid until the earlier of the date the  
23 racing and gaming commission grants or denies a license under  
24 section 99E.5 to the person to conduct internet fantasy sports  
25 contests, or twelve months from the date the racing and gaming  
26 commission accepts applications for issuance of a license to  
27 conduct internet fantasy sports contests under section 99E.5.

28       Sec. 15. IMPLEMENTATION DATE. The following provision or  
29 provisions of this Act shall not be implemented until July 1,  
30 2019:

31        1.    The section of this Act enacting section 99E.9.

32 EXPLANATION

33           The inclusion of this explanation does not constitute agreement with  
34           the explanation's substance by the members of the general assembly.

35        This bill authorizes internet fantasy sports contests

1 and provides for the licensing, regulation, and taxation of  
2 internet fantasy sports contests.

3     New Code section 99E.1 provides for definitions. A "fantasy  
4 sports contest" is defined as any fantasy or simulated game  
5 or contest in which all prizes and awards offered to winning  
6 participants are established and made known in advance of the  
7 contest, all winning outcomes reflect the relative knowledge  
8 and skill of the participants and are determined predominantly  
9 by accumulated statistical results of the performance of  
10 individuals, and no winning outcome is based on the score, or  
11 performance of any single actual team or combination of such  
12 teams or solely on any single performance of an individual  
13 athlete in any single actual sporting or other event. An  
14 "internet fantasy sports contest" is defined as a method of  
15 entering a fantasy sports contest by establishing an account  
16 with an internet fantasy sports contest service provider. An  
17 "internet fantasy sports contest player" is defined as a person  
18 who is at least 21 years of age who participates in an internet  
19 fantasy sports contest. The bill also defines internet fantasy  
20 sports contest adjusted revenues, internet fantasy sports  
21 contest service provider, and location percentage.

22     New Code section 99E.2 provides that the system of entering  
23 an internet fantasy sports contest is legal when conducted by a  
24 licensed internet fantasy sports contest service provider as  
25 provided in the new Code chapter.

26     New Code section 99E.3 establishes the powers of the racing  
27 and gaming commission in relation to internet fantasy sports  
28 contests and internet fantasy sports contest service providers.  
29 Specifically, the new Code section authorizes the commission  
30 to investigate and license internet fantasy sports contest  
31 service providers, assess fines and revoke or suspend licenses,  
32 impose penalties for violations of the new Code chapter, and  
33 take any other action to enforce the requirements of the new  
34 Code chapter.

35     New Code section 99E.4 establishes the requirements for an

1 applicant to be granted a license to conduct internet fantasy  
2 sports contests. The Code section allows the commission  
3 to charge the applicant a fee for the department of public  
4 safety, division of criminal investigation, to defray the  
5 costs associated with any investigation. The new Code  
6 section provides that a license shall not be issued if there  
7 is evidence that the applicant has failed to meet certain  
8 qualifying requirements. A person who knowingly makes a  
9 false statement on the application is guilty of an aggravated  
10 misdemeanor.

11 New Code section 99E.5 establishes the terms and conditions  
12 of licenses issued to conduct internet fantasy sports contests.  
13 The Code section provides that a license may be issued for  
14 a period of not more than three years and provides that  
15 the annual license fee shall be \$500. The new Code section  
16 provides that a licensed internet fantasy sports contest  
17 service provider shall prevent any employees and certain  
18 family members from participating in internet fantasy sports  
19 contests on the service provider's digital platform, verify  
20 that internet fantasy sports contest players located in this  
21 state are 21 or older, ensure that participants in a game  
22 or contest shall not be allowed to enter an internet fantasy  
23 sports contest involving that game or contest, prohibit  
24 internet fantasy sports contests based upon any interscholastic  
25 or intercollegiate athletic contest or any amateur athletic  
26 contest or competition in which all participants are under  
27 the age of 21, permit individuals to restrict themselves  
28 from entering an internet fantasy sports contest, perform an  
29 independent audit, and pay the tax imposed by the new Code  
30 chapter.

31 New Code section 99E.6 provides for a tax of 7.5 percent  
32 to be imposed on internet fantasy sports contest adjusted  
33 revenues. The bill defines, in new Code section 99E.1,  
34 internet fantasy sports contest adjusted revenues as the total  
35 of fees and charges collected, less winnings, in an internet

1 fantasy sports contest multiplied by the percentage of fees  
2 and charges paid by participants who are located in this state  
3 in that contest. The bill provides that of the revenues  
4 collected, an amount equal to .5 percent of internet fantasy  
5 sports contest adjusted revenues is transferred to a special  
6 revenue account in the general fund to be used, subject to an  
7 appropriation, by the department of public health for gambling  
8 treatment with the remainder of revenues collected to be  
9 deposited in the rebuild Iowa infrastructure fund.

10 New Code section 99E.7 provides that a person under the  
11 age of 21 shall not enter an internet fantasy sports contest.  
12 A person who violates this Code section commits a scheduled  
13 violation under Code section 805.8C and is subject to a \$500  
14 fine. Code section 805.8C is amended to reflect this violation  
15 and applicable fine.

16 New Code section 99E.8 authorizes the division of criminal  
17 investigation of the department of public safety to investigate  
18 licensee compliance with the requirements of the new Code  
19 chapter.

20 New Code section 99E.9 requires a licensee to offset  
21 account balance withdrawals of an internet fantasy sports  
22 contest player who is a debtor in an amount equal to or greater  
23 than \$1,200, subject to the requirements of this new Code  
24 section. The bill provides that this Code section shall not be  
25 implemented until July 1, 2019.

26 New Code section 99E.10 provides that, in addition to any  
27 other penalty specified in the new Code chapter, a person who  
28 willfully fails to comply with the requirements of the Code  
29 chapter commits a class "D" felony and shall be barred for life  
30 from internet fantasy sports contests.

31 Code section 232C.4, concerning emancipation orders and  
32 minors, is amended to reflect that an emancipated minor is  
33 subject to the age restrictions for internet fantasy sports  
34 contests.

35 Code section 714B.10, concerning prize promotions, is

1 amended to exempt internet fantasy sports contests from the  
2 Code chapter.

3     The bill provides for the issuance of a transitional license  
4 by the racing and gaming commission to a person to conduct  
5 internet fantasy sports contests in this state if the person  
6 has been granted a license or registration by two or more other  
7 states to conduct internet fantasy sports contests. The bill  
8 provides that the transitional license shall be valid until the  
9 earlier of the date the commission grants or denies a license  
10 to the person or twelve months from the date the commission  
11 accepts applications for issuance of a license.